



April 17, 2015

Mr. Gary Ameling, Assistant City Manager and Director of Finance
City of Santa Clara
1500 Warburton Avenue
Santa Clara, CA 95050

Dear Mr. Ameling:

Subject: Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Santa Clara Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 15-16A) to the California Department of Finance (Finance) on March 11 for the period July 1 through December 31, 2015. Finance has completed its review of your ROPS 15-16A, which may have included obtaining clarification for various items.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item Nos. 36, 37 and 38 – The following obligations related to the Santa Clara Convention Center are denied:

Item No.	ROPS 15-16A Other Funds Requested Amount	Total Outstanding Amount
36	\$ 3,212,718	\$ 6,559,833
37	301,212	602,424
38	126,472	126,472
Total	\$ 3,640,402	\$ 7,288,729

Finance understands despite the writ of mandate issued against the City of Santa Clara (City) to return the Convention Center to the Agency, the City has taken the position that it is not currently required to comply with the writ and thus does not intend to return the Convention Center to the Agency. Given the City's position and that the ROPS request is based on the Agency's possession of the Convention Center, Finance denies these items. Pursuant to HSC section 34171 (d) (1) (F), the costs of maintaining Agency owned assets prior to disposition constitutes enforceable obligations; however, as it currently stands, the Agency does not own the Convention Center. Therefore, the costs associated with operating and maintaining the Convention Center is not approved.

Furthermore, Item No. 36 represents a request to fund Convention Center operations. It is not clear what portion of the request, if any, would qualify as an Agency obligation under HSC section 34171 (d).

During our review, which may have included obtaining financial records, Finance determined the Agency possesses funds that should be used prior to requesting Redevelopment Property Tax Trust Fund (RPTTF). Pursuant to HSC section 34177 (I) (1) (E), RPTTF may be used as a funding source, but only to the extent no other funding source is available or when payment from property tax revenues is required by an enforceable obligation.

Therefore, the funding source for the following item has been reclassified to Other Funds and in the amount specified below:

Item No. 13 – Administrative Cost Allowance in the amount of \$250,000. The Agency requests \$250,000 of RPTTF; however, Finance is reclassifying \$250,000 to Other Funds. This item is an enforceable obligation for the ROPS 15-16A period. However, the obligation does not require payment from property tax revenues and the Agency has monies available in Other Funds. Therefore, Finance is approving the use of Other Funds in the amount of \$250,000.

Pursuant to HSC section 34186 (a), successor agencies were required to report on the ROPS 15-16A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2014 period. HSC section 34186 (a) also specifies prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the table below includes the prior period adjustment resulting from the CAC's review of the Agency's self-reported prior period adjustment.

Except for the items denied in whole or the items that have been reclassified, Finance is not objecting to the remaining items listed on your ROPS 15-16A. If you disagree with the determination with respect to any items on your ROPS 15-16A, you may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available at Finance's website below:

http://www.dof.ca.gov/redevelopment/meet_and_confer/

The Agency's maximum approved RPTTF distribution for the reporting period is zero as summarized in the Approved RPTTF Distribution table below:

Approved RPTTF Distribution	
For the period of July through December 2015	
Total RPTTF requested for non-administrative obligations	0
Total RPTTF requested for administrative obligations	250,000
Total RPTTF requested for obligations on ROPS	\$ 250,000
Total RPTTF authorized for non-administrative obligations	\$ 0
Total RPTTF requested for administrative obligations	250,000
<u>Cash Balances - Item reclassified to Other Funds</u>	
Item No. 13	(250,000)
Total RPTTF authorized for administrative obligations	\$ 0
Total RPTTF authorized for obligations	\$ 0
ROPS 14-15A prior period adjustment	0
Total RPTTF approved for distribution	\$ 0

Pursuant to HSC section 34177 (l) (1) (E), agencies are required to use all available funding sources prior to RPTTF for payment of enforceable obligations. During the ROPS 15-16A review, Finance requested financial records to support the cash balances reported by the Agency; however, the Agency was unable to support the beginning balances for Other Funds and RPTTF. As a result, Finance will continue to work with the Agency after the ROPS 15-16A review period to properly identify the Agency's cash balances. If it is determined the Agency possesses cash balances that are available to pay approved obligations, the Agency should request the use of these cash balances prior to requesting RPTTF in ROPS 15-16B.

Please refer to the ROPS 15-16A schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS>

Absent a Meet and Confer, this is Finance's final determination related to the enforceable obligations reported on your ROPS for July 1 through December 31, 2015. This determination only applies to items where funding was requested for the six-month period. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not denied on this ROPS or a preceding ROPS. The only exception is for those items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of items that have received a Final and Conclusive determination is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment that was available prior to the enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the agency in the RPTTF.

Pursuant to HSC section 34177 (a) (3), only those payments listed on an approved ROPS may be made by the successor agency from the funds specified in the ROPS. However, if the

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Agency needs to make payments for approved obligations from another funding source, HSC section 34177 (a) (4) requires the Agency to first obtain oversight board approval.

To the extent proceeds from bonds issued after December 31, 2010 exist and are not encumbered by an enforceable obligation pursuant to HSC section 34171 (d), HSC section 34191.4 (c) (2) (B) requires these proceeds be used to defease the bonds or to purchase those same outstanding bonds on the open market for cancellation.

Please direct inquiries to Wendy Griffe, Supervisor, or Jared Smith, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Program Budget Manager

cc: Mr. Marcelo Penha, Assistant Director of Finance, City of Santa Clara
Ms. Emily Harrison, Finance Agency Director, Santa Clara County
California State Controller's Office